Oxonian Capital

Monthly Market Update

October 2025

MARKET VIEWS

EQUITIES: The relentless march of global equities continued in September, with the MSCI World Index at all-time highs. Sentiment remains dominated by the Artificial Intelligence (AI) growth story and the associated semiconductor chip companies. The S&P 500 closed the month at a new all-time high, with European indices also participating in the rally, aided by signs of economic stability. With tech companies doing a lot of the heavy lifting, the Nasdaq Composite also hit record highs, ending the month 5.6% higher.

Volatility increased in the healthcare and life science sectors following the late-September announcement of punitive U.S. tariffs on patented drugs. Potential supply chain disruption casts a shadow over earnings projections. However, there has been some respite since, with Pfizer the first to reach a deal with the administration over new pricing under the "most favoured nation" rules.

Elsewhere, returns in China and Hong Kong were a mixed bag in September. The Hang Seng index in Hong Kong, containing several AI-exposed names, was amongst the strongest equity market for returns during the month, aided also by continued progress in trade talks with the U.S. However, the more domestically focussed, onshore market, the Shanghai Composite lagged, up by just 0.6%.

CURRENCY & DEBT: The U.S. Dollar Index (DXY) stabilised late in the month, falling just under 0.1% for September, a minor movement and failing to counter the downward pressure so far this year, falling 10%, and 7.5% against the pound. The Euro broke above €1.17 against the dollar, buoyed by the European Central Bank's (ECB) pause in its rate-cutting cycle. Traditional safe havens, like the Swiss Franc, saw renewed interest amid U.S. political gridlock, which resulted in a government shutdown starting on 1st October.

The bond market experienced a 'flight to quality', particularly in shorter-dated maturities, driven by the shutdown fears and expectations of further U.S. interest rate cuts. The reaction to the Fed's cut solidified the view that inflation risks are now secondary to sustaining economic growth, with unemployment a key factor.

In the U.K., the government's struggles to meet their fiscal rules are well publicised, and the market continues to price longer-dated government debt higher. The 30-year gilt yield now trades around 5.5%, compared to a 5-year yield of 4.1%. Concerns remain over prolonged fiscal deficits and inflationary pressures, inherent in an era of increased protectionism, leading to continued debate on yield curve structure and its traditional recessionary signals.

GOLD: Gold was the star performer in September, reaching successive record highs, and breaching the $3,800/oz mark. This marked its sharpest monthly percentage gain in over a decade (11.9%). It is now on course for the best yearly return since 1979, having risen almost 50% year-to-date. The story is a perfect cocktail of factors, namely declining real (inflation-adjusted) interest rates, coupled with safe-haven demand, rising political risk and central banks remaining net purchasers.

MACRO VIEWS

POLITICS: The geopolitical landscape was dominated by hopeful, if tentative, progress in Middle East peace talks. Late in the month, a 20-point peace proposal was agreed upon by key stakeholders and the U.S. government. While the details surrounding the disarmament of militant groups and the future governance of the territory remain complex, the breakthrough generated some optimism across regional equity markets. A long-term resolution would likely unlock significant regional investment and lower the risk premium currently reflected in energy prices. The U.S. government shutdown, the fourth under a Donald Trump presidency, but first this term, started on 1st October, with markets to date taking it in their stride.

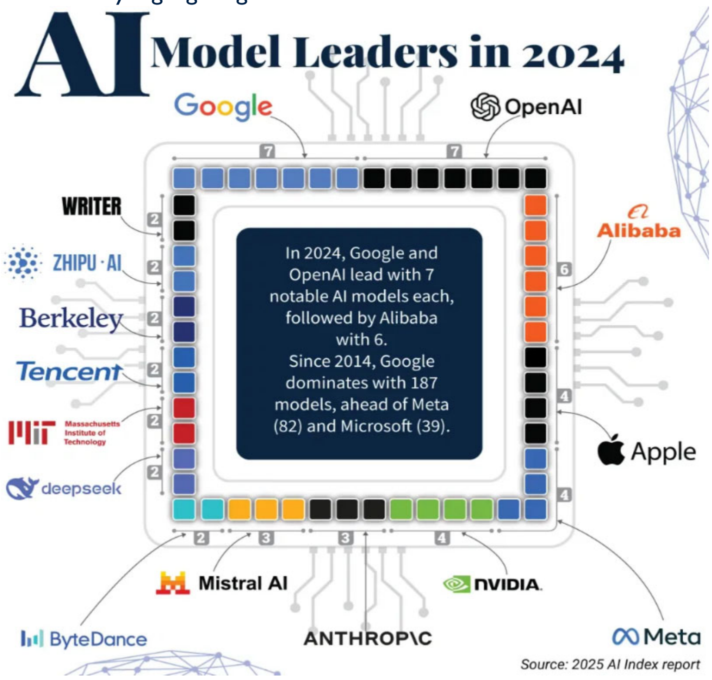
MONETARY POLICY: September delivered monetary policy divergence across the major economies of the U.S., Europe and the U.K. As anticipated, the Federal Reserve cut interest rates by 0.25%, citing a cooling jobs market and inflation moving closer to target, bringing the upper bound of its range to 4.25%. This move, combined with the members of the FOMC projections for interest rates firmly planted the Fed in an easing cycle, leading markets to price in further cuts by the year-end. Conversely, the European Central Bank maintained its key rates at 2.00%, signalling its inflation battle is under greater control. In the U.K. the central bank base rate remained at 4%, with inflation remaining high at 3.8% (CPI), almost double the 2% target. As a result, the Bank of England monetary policy committee felt a "gradual and careful approach" to any further loosening in monetary policy was appropriate.

GLOBAL TRADE: The global trade agenda received a substantial, unwelcome jolt with the announcement of a 100% tariff on branded and patented pharmaceuticals imported into the U.S., effective from 1st October. This move, designed to force drug manufacturing onshore, immediately amplified supply chain concerns. Critically, there are strong hopes for a resolution for European firms, given that the European Union (EU) had previously secured a trade agreement with the US guaranteeing a maximum 15% tariff ceiling on pharmaceutical products. The initial market response is one of confusion and anxiety, as companies await clarification on whether the pre-existing ceiling will exempt EU exporters from the 100% tariff. The uncertainty highlights the continuing shift toward a more nationalistic global trade regime, increasing policy risk for multinationals. As already mentioned, the agreement with Pfizer has led to optimism that similar such deals will be agreed with other companies in due course.

In early September, the U.S. also implemented reciprocal tariffs on Japan, at 15% on most imports. This was better than the market had anticipated, and in-line with the European Union, and Japanese exporters – including automotive firms – rallied on the news. Whilst tariff news is slowing with trade deals being struck, risks remain.

CHART OF THE MONTH

The rapid developments in artificial intelligence have been there for all to see, and the below captures how the biggest developers have created new tools at scale. It was notable in 2024 that AI-driven research earnt two Nobel Prizes, highlighting use cases beyond the large language models the general public see day-to-day. The below shows the development of new tools in 2024 alone, with the same research report from Stanford University highlighting more than 540 notable models created since 2014 from major organisations.



Sources: Voronoi. Available at: https://www.voronoiapp.com/technology/AI-Model-Leaders-in-2024-6798. Stanford University (2025). Artificial intelligence index report 2025. Available at: https://hai.stanford.edu/assets/files/hai_ai_index_report_2025.pdf.

MARKET DATA

Index	Value	%1m	%3m	%6m	%YTD	%1yr	%3yr	%5yr	%10yr
FTSE 100	9,350	1.8	7.5	10.0	17.7	17.5	51.5	91.6	126.0
FTSE All-Share	5,062	1.9	6.9	10.4	16.6	16.2	50.0	84.1	118.0
FTSE AIM	783.17	2.5	1.6	12.4	8.8	5.8	-2.9	-18.4	8.0
FTSE World (ex-UK)	750.63	3.8	9.5	15.2	10.5	17.0	56.3	84.6	272.0
S&P500	6,688	3.7	8.1	20.6	14.8	17.6	95.0	114.0	315.0
Dow Jones	46,398	1.9	5.2	11.6	9.1	9.6	61.5	67.0	185.0
Nasdaq 100	24,680	5.4	8.8	28.0	17.5	23.0	125.0	116.0	490.0
S&P Smallcap 600	1,449	0.8	8.7	14.0	2.9	1.9	36.1	69.5	123.0
Eurostoxx 50	5,507	2.9	3.8	3.3	12.5	10.1	66.0	72.4	77.6
Nikkei	44,933	5.2	11.0	21.0	12.6	18.5	73.2	93.8	158.0
Hang Seng	26,856	7.1	11.6	14.6	33.9	27.1	55.9	14.5	28.8
Shanghai (SSE)	3,883	0.6	12.7	15.9	15.8	16.4	28.4	20.7	27.2
FTSE Government All-Stocks	127.38	0.6	-0.6	1.5	1.9	-1.3	3.9	-25.8	-4.9
GBP/USD	1.3442	-0.5	-2.1	3.9	7.4	0.5	20.4	4.1	-11.1
GBP/EUR	1.1455	-0.9	-1.7	-4.2	-5.3	-4.6	0.6	4.0	-15.4
Gold $	385,827	11.9	16.5	25.0	47.0	46.4	132.0	104.0	246.0

Source: Alpha: data as at 30-09-25

Get in touch

If you are interested in using a discretionary investment manager or are contemplating switching from your existing manager, we would be delighted to hear from you. We are passionate about what we do and unincumbered by any large corporate mindset, free to act independently in your best interest.

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